

Investigating Factor Structure of Social Responsibility, Customer Satisfaction, Organizational Reputation and Performance in Enterprises (Case study: Bank Shahr)

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Abstract: Over the past few decades, competition, particularly in service companies and organizations, has been increased sharply. Organization's social responsibility is a fundamental factor in survival of any organization or company that has been regarded particularly in last years. This research aims to investigate the impact of social responsibility activities of Bank Shahr on its performance considering the role of customers' satisfaction and organizations' reputation. In terms of purpose, this research is applied and its method is descriptive-correlational. 400 people were selected as available sample among Bank Shahr customers in the city of Tehran as sample size. To test hypotheses and investigation of relationships between model elements, Lisrel8.8 software and structural equation modeling were used. The results indicated that social responsibility activities of Bank Shahr have positive impact on its economic performance. However, customers' satisfaction and organization's reputation, as mediator variables, are influential as well.

Keywords: organization's social responsibility, customers' satisfaction, organization's reputation, organization's performance, Banks Shahr

JEL Classification: M14, J28, L25, N25

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1- Introduction

Over the past few decades, because of the awareness of the interdependent organizations, new cultural value society and environment have been created. Gradually, people perceived that organizations' measures would be followed by profits and losses for community; therefore, abundant attention is focused on improvement of net result of organizational impact on society. In other words, the society expects receiving more net profit from organizations and these profits to be distributed justly (Newstrom & Davis, 2002). Today, organizations realized that customers' satisfaction and loyalty are very important factors to keep competitive position in market and they should try to absorb newer clients. This is achieved when competitors provide services at the same level or higher one. Thus, today, service companies, like banks, make an effort to change their satisfied customers into loyal ones (Saeidi et al., 2015). Generally, some commercial and traditional organizations did not consider new methods and they lose their clients over time. A research in this area indicated that 62 percent of unsuccessful organizations did not regard customers' loyalty as effective factor (Maqsoodi & Jamshidi, 2003). Social responsible programs can provide certain advantages in addition to loyalty increase for companies. Customers' loyalty is proposed as a vital issue for company's growth and survival in the today's competitive world. Creating loyalty in customers is not only a marketing goal, but it is also an important base to create a sustainable competitive advantage (Kotler & Armstrong, 2008).

Studies on organizations' social responsibility indicated that customers'

satisfaction, reputation, and competitive advantage are outcomes of organization's social responsibility (Saeidi et al., 2015). However, organization's function is affected by customers' satisfaction, organization's reputation, and competitive advantage (Mulki & Jaramillo, 2011). High customers' satisfaction has two positive outcomes for organizations including organization's reputation and competitive advantage (Walsh et al., 2006). Thus, three variables of customers' satisfaction, organization's reputation, and competitive advantage should be considered together in studies related to the relationship between organization's social responsibility and organization's performance (Saeidi et al., 2015).

Banking industry has experienced many changes such as the entrance of different banks that increased competition. Bank Shahr, as one of the large private banks in Iran, is not excluded in this matter. This bank tries to develop its banking market and move toward social banking. Social banking is a new horizon to achieve social justice. Those banks that regard banking from this point of view consider their responsibility for money, profitability, and society consciously. This type of banking represents those activities, products, and banking services that help today and future social and humanistic development of society. It considers accountability of today's real needs as well as sustainability and social, cultural, and environmental durability of society that is bank's social responsibility (Mohammadpour Zarandi & Tabatabaei Mozdabadi, 2016).

Thus, this research tries to answer whether investment on social responsibility of Bank Shahr can influence its performance and increase profitability via customers'

satisfaction, organizational reputation, and competitive advantage or not.

2- Literature Review

a) Foreign Researches

Lee et, al (2013) studied the role of economic status in relation with social responsibility of restaurants and their financial performance in America. The findings indicated that restaurants' social responsibility influenced their financial performance significantly. However, while economic situation is improving, activities related to social responsibility of restaurants that are related with main activity of that restaurant affect their financial performance more.

Hsu (2012) investigated the impact of advertisements related to social responsibility of life insurance companies in Taiwan on company's reputation and brand equity. By using simple random sampling, 431 people were selected as final sample. The findings indicated that social responsibility of company might lead to reputation and brand equity of insurance companies through customers' satisfaction.

Lai et.al, (2010) investigated the impact of organization's social responsibility on financial performance of company in service industry. 179 sales managers of service companies in Taiwan participated in this research. The findings confirmed direct relationship between social responsibility of company and its financial performance through brand equity and company's reputation.

b) Iranian Researches

Taleghani & Avakh (2011) studied the impact of market orientation and social responsibility on the performance of medium and large production companies of Rasht. In this research, direct and

indirect relationship between market-orientation on performance through structural equations modeling were tested by using data from Rasht medium and large production companies. The results indicated that indirect impact of marketing on business performance is more than its direct impact.

Amiri & Vakilzadeh Rooholamini (2014) investigated the impact of social responsibility on financial performance of companies. Statistical sample included 92 active companies in Stock Exchange during 2002-2011. The results indicated that there was a significant relationship between social responsibility and companies' performance.

Sanoobar & Mahdizadeh Asl (2008) studied the relationship between social responsibility and marketing performance of top export companies of food industry. Data were collected by questionnaire among top export companies of food industry in East Azarbaijan Province. The results indicated that there was a positive relationship between social responsibility and companies' marketing performance.

3- Theoretical Principles

Organization's Social Responsibility

Today, social responsibility has a wider concept than previous activities. Generally, social responsibility is called to a set of activities that are done by capital owners and firms voluntarily as an effective and useful member in society. However, organization's social responsibility is defined as companies' voluntary activities to improve economic, social, and environmental status (Lai et al., 2010). Organizations should pay more attention to consequences and impacts of their activities and consider them on surrounding environment of society and

community members (Barthorpe, 2010). Organization's profitability can be the result of organization's brand equity improvement (Van Riel et al., 2005). Organization's social responsibility is known as a competitive tool to improve financial performance of company (Porter & Kramer, 2006).

Customer's Satisfaction

From the perspective of marketing, customer's satisfaction depends on experiencing products or services. When clients evaluate outcomes, in fact, they compare the results of their obtained experience with expected results and the results of other resources (Lee & Chung, 2009). In other words, customer's satisfaction is a degree of positive feeling toward service provider (Deng et al., 2010). According to Oliver, customer's satisfaction is a response to successful consumers' achievement. In other words, it is a judgment about whether the feature of a product or service could provide a satisfactory level of consumer's prosperity or not (Kazemi & Mohajer, 2009).

Organization's Reputation

Organization's reputation is an interface of stakeholders' perception of the issue that to what extent their demands and expectations are met by organizational responses (Fombrun, 1996). In fact, organization's reputation refers to the realization of key features of company. However, it is defined as a degree of trust or non-trust based on company's capabilities in meeting their clients' expectation. Marketers believe that the key element that has great influence on customers' purchasing decisions is their realization of the role of company in society and their behavior with stakeholders and beneficiaries (Souiden et al., 2006). Fombrun (1995) and Bromley (2002) consider company's

reputation as total customers; evaluation of behavior and previous results of company that explain company's ability to provide value to multi-dimensional stakeholders (Cravens & Oliver, 2006). Furthermore, organizational reputation can be regarded as clients' perceptions of direct and indirect experiences and information that are the outcomes of company's previous activities (Caruana & Ewing, 2010).

Ewing et.al, (2010) argued that companies realized the role and importance of organizational reputation, regardless of their settlement. The studies on organizational reputation are more focused on structural definition of reputation i.e. a method that reputation functions, and finally, reputation impact is seen on customers and organization's success. Organizational reputation is something more than mental image and company's identity (Cravens & Oliver, 2006). According to Davies et.al, (2003) company's reputation represents associations that people establish with companies' name and it is generally known as a force that can absorb customers. Bontis et.al, (2007) acknowledged that customers' loyalty help firms, and Lin and Chang (2003) argued that it affect buy and sell process (Fombrun et al., 2000).

Organization's Performance

Organizational performance is one of the most important structures in managerial researches and the most important criterion to measure success in commercial companies (Abzari et al., 2009). Mistakenly, many people believe that performance represents organization's profitability, but the reality is that company's performance depends on type of organization, management thinking, organization's mission and vision, environmental conditions (Kafashpour &

Najafi Siyahroodi, 2009). Researchers presented many definitions of performance. Daft (2000) defined organizational performance and organization's ability to achieve the goals of using resources efficiently and effectively. Similar to Daft's definition, Richardo and Wade (2001) defined organizational performance as organization's ability in obtaining long-run and short-run objectives (Abu Jarad et al., 2010).

Development of Hypotheses and Research Theoretical Model

Given extensive concept of organization's social responsibility, each researcher selects hypotheses in accordance with ones' research and terms governing studied organization based on previous evidences and studies. Thus, the research hypotheses have been selected in

accordance with the issues of banking system. Research hypotheses include:

H1- Organization's social responsibility has positive impact on customers' satisfaction.

H2- Organization's social responsibility has positive impact on organizational reputation.

H3. Organization's social responsibility has positive impact on organizational performance.

H4- Customer's satisfaction has positive impact on organizational performance.

H5- Customer's satisfaction has positive impact on organizational reputation.

H6- Organizational reputation has positive impact on organizational performance.

Given research hypotheses, research model has been represented in figure1.

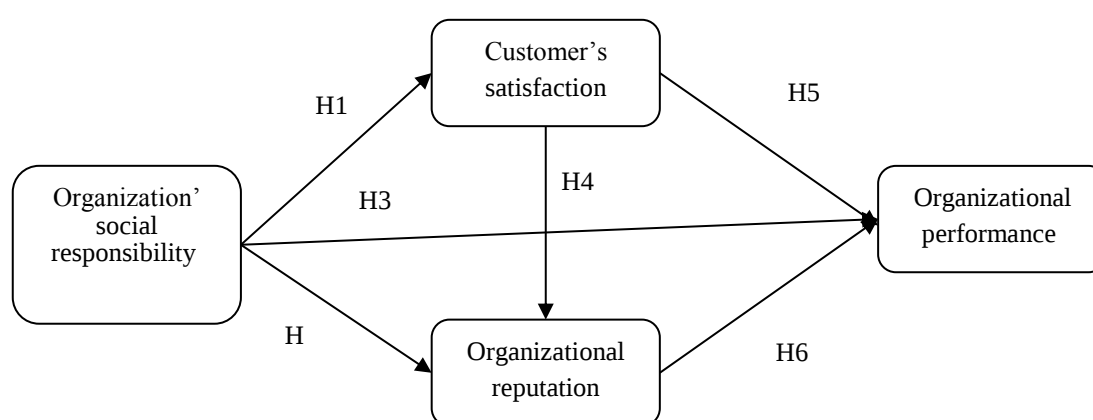


Fig1. Conceptual model

Reference: (Researchers' findings)

4- Research Method

In terms of purpose, this research is applied since it looks for testing new variables and by relying on testing model in a certain industry, practical aspect has been regarded. In terms of data collection, it is descriptive-correlational based Structural Equation Modeling (SEM) at the level of customers. Three faculty

members and several banking system experts confirmed questionnaire validity. Statistical population includes all Bank Shahr customers in the city of Tehran. Since the volume of intended population is unlimited, and according to Krejcie & Morgan table for unlimited communities, sample volume is proper for population with more than 100 thousand people with

accuracy level of 5 percent equal with 384 people; therefore, 500 questionnaires were distributed and 446 ones were returned. 400 of them were used for analysis. For the research tool, Cronbach's alpha was used. It was calculated based

on 40 people of sample size as summarized in table1. According to table1, it can be concluded that research tool has acceptable reliability. For data analysis, SPSS 22, and Lisrel 8.8 were used.

Table1. Cronbach's alpha for research variables

Variable	Number of questions	Reference	Cronbach's alpha
Organization's social responsibility	5	Lai et al., 2010	0.78
Customer's satisfaction	3	Saeidi et al., 2015	0.82
Organizational reputation	3	Lai et al., 2010	0.79
Organizational performance	8	Jiménez-Jiménez & Cegarra-Navarro, 2007	0.86

Reference: (Researchers' findings)

5- Research Findings

In this part, demographic variables have been investigated. Table 2

represents a summary of demographic variables.

Table2. Demographic variables

	Age					Gender			Education					Total
	18-28	29-38	39-49	50>	Missed	Male	Female	Missed	Diploid	A.A.	B.A.	M.A.	Missed	
Frequency	86	182	89	42	1	197	201	2	107	96	164	31	2	400
Percentage	21.5	45.5	22.3	10.5	0.3	49.3	50.2	0.6	26.8	24	41	7.8	0.5	100

Reference: (Researchers' findings)

The analysis of research hypotheses is based on correlational matrix between

latent variables. Table3 represents correlational matrix between research variables.

Table3. Correlation between variables

	Variable	1	2	3	4
1	Organization's social responsibility	1			
2	Customers' satisfaction	0.53	1		
3	Organizational reputation	0.33	0.49	1	
4	Organizational performance	0.46	0.38	0.47	1

* Relationships at significance level of $\alpha=0.01$

Reference: (Researchers' findings)

According to the findings, all research variables, at confidence level of 99%, have significant relationship with each other. One of the main assumptions, the use of parametric statistical such as structural equation modeling is normal distribution. To search for normality of

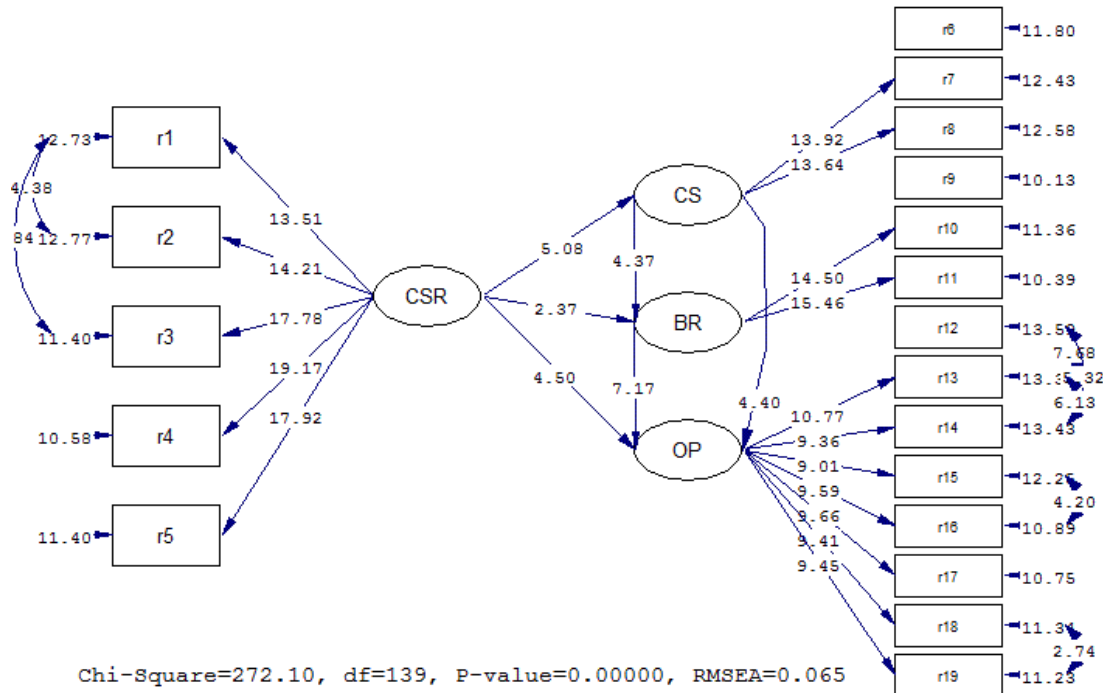
distribution, one-sample Kolmogorov-Smirnov test was used. By doing this test, the significance level was obtained more than 0.05 for all variables. Thus, null hypothesis i.e. normal distribution of all variables is confirmed at confidence level of 95 percent.

Path Analysis (Testing Hypotheses)

To test hypotheses and investigate the relationships between model elements, Lisrel 8.8 was used. The results of model

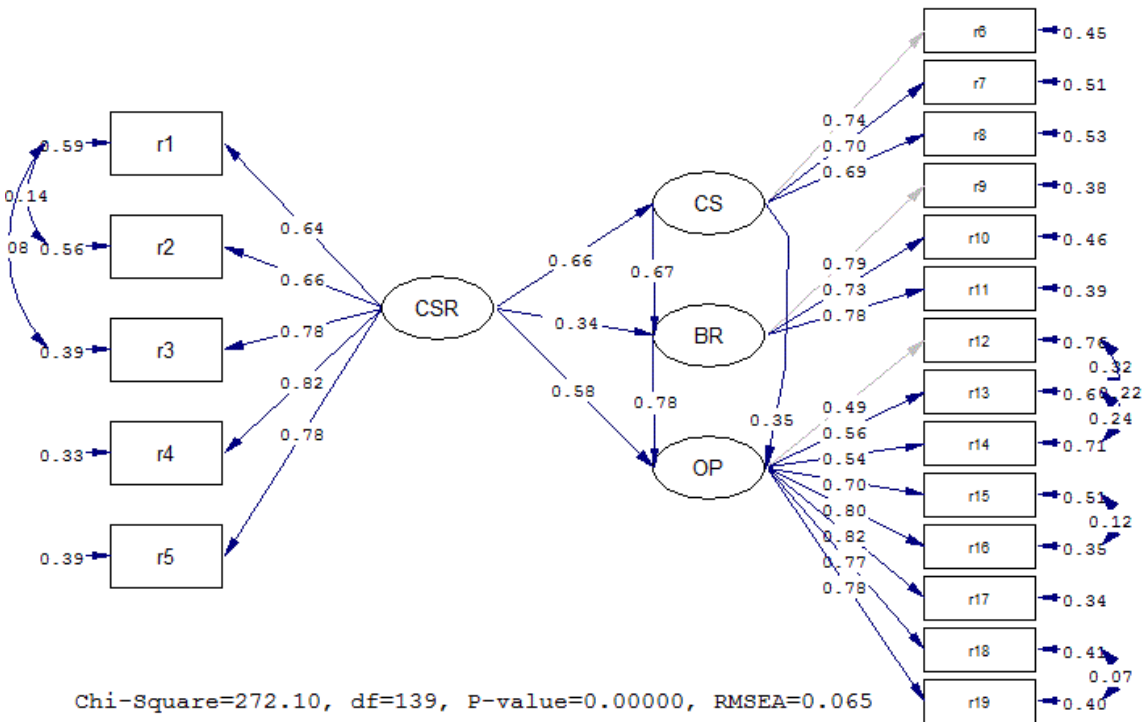
analysis have been represented in figures 1 and 2 in case of significant coefficients and path coefficients.

Fig1. Theoretical model in case of significant coefficients (t-statistic)



Reference: (Researchers' findings)

Fig2. Theoretical model in case of standard path coefficients



Reference: (Researchers' findings)

However, indicators of goodness of fit (GOF) have been represented in table4. Different tests are used to determine GOF (Hooman, 2015). Generally, to confirm model, using three to five indicators is adequate. In this research, the values of

$\frac{X^2}{d_f} = 1.957$, RMSEA= 0.095, NFI=0.94, and NNFI=0.91 were obtained. Thus, data have proper GOF with factor structure and theoretical principles indicating that questions are in line with theoretical structures.

Table4. Indicators of GOF

Model statistics	Acceptance criteria	Fit index
1.957	Between 1 and 3	$\frac{X^2}{d_f}$
0.94	0.9<	NFI
0.91	0.9<	NNFI
0.95	0.9<	CFI

Reference: (Researchers' findings)

Testing Research Hypotheses

Given figures 2 and 3 about research hypotheses, it can be stated that:

H1: The relationship between organization's social responsibility and customer's satisfaction is confirmed with $t=5.08$, and path coefficient of $\beta= 0.66$; therefore, H1 is confirmed at confidence level of 99%.

H2: The relationship between organization's social responsibility and organizational reputation is confirmed with $t=2.37$ and $\beta=0.34$; therefore, H2 is confirmed at confidence level of 95%.

H3: The relationship between organization's social responsibility and organizational performance with $t=4.50$ and $\beta= 0.58$; therefore, H3 is confirmed at confidence level of 99%.

H4: The relationship between customers' satisfaction and organizational performance is confirmed with $t= 4.40$ and $\beta= 0.35$; therefore, H4 is confirmed at confidence level of 99%.

H5: The relationship between customers' satisfaction and organizational reputation is confirmed with $t=4.37$ and $\beta=0.67$; therefore, H5 is confirmed at confidence level of 99%.

H6: The relationship between organizational reputation and organizational performance is confirmed with $t= 7.17$ and $\beta=0.78$; therefore, H6 is confirmed at confidence level of 99%.

However, table 5 represents the summary of research hypotheses.

Table5. The summary of research hypotheses

H	Path		t	β	Confidence level (percentage)	Result
	From	To				
1	Social responsibility	Customers' satisfaction	5.08	0.66	99	Confirmed
2	Social responsibility	Organizational reputation	2.37	0.34	95	Confirmed
3	Social responsibility	Organizational performance	4.50	0.58	99	Confirmed
4	Customers' satisfaction	Organizational performance	4.40	0.35	99	Confirmed
5	Customers' satisfaction	Organizational reputation	4.37	0.67	99	Confirmed
6	Organizational reputation	Organizational performance	7.17	0.78	99	Confirmed

Reference: (Researchers' findings)

6- Conclusion and Suggestions

This research tries to investigate the impact of social responsibility of Bank Shahr on organizational reputation, customers' satisfaction, and economic performance. The findings indicate that social responsibility activities of Bank Shahr lead to customers' satisfaction, organizational reputation, and finally, its economic performance that is in accordance with Saeidi et.al (2016) and Lai et.al, (2010).

Today, it is necessary for financial bodies to create a clear and transparent image of social responsibility and adopt social responsibility policies in order to emphasize the approach of reputation and brand equity for social responsibility since these policies specify managers and employees' commitment to create benefit and positive impacts of value and brand reputation for organization. Thus, social responsibility can be proposed as a tool to improve and promote brand value and reputation in long-term.

In this regard, Bank Shahr had better take effectively serious actions on citizens' life and the environment to carry out its social responsibility. These measures could be solving the problems of traffic, improving urban furniture, particularly in metropolises, and so on. Furthermore, bank managers should improve bank mental image to customers to increase their trust since mental image influence significantly on clients' perceptions. For this purpose, it is suggested that the Bank enhance its reputation more than before. Promotional activities and word-of-mouth advertising can be used here. For instance, bank uses expert and committed employees leading to word-of-mouth advertising resulting in improving its mental image.

It is recommended to bank managers to create awareness about activities related to banks' social responsibility in order to absorb more customers by identifying customers' satisfaction parameters in banks and focusing on their continuous improvement. In fact, managers identify issues that through which they can attract bank clients' satisfaction and trust, evaluate their performance about customers' satisfaction continuously, and take a big step forward in line with customers' loyalty. Moreover, banking services environment should be designed in such a way to prepare the ground for increasing their trust by improving customer relationship management, proper accountability to customers' new needs and their different interests.

However, it is recommended to bank managers to prepare the ground for social responsibility so that situation for the growth of managers and employees to be provided in this way and they have a clear image of them and bank. In fact, Bank Shahr has considered social banking. The focus of social banking is on providing current needs in social and economic reality. It emphasizes on economic, social, cultural, and environmental sustainability simultaneously resulting in customers' satisfaction and bank performance improvement (Mohammadpour Zarandi & Tabatabaei Mozdabadi, 2016). In addition, given the role of brand reputation in integrating customers' mental images, bank face against competitors, and strategic impact on brand for bank, it is recommended to marketing managers focus their attempts on identifying brand to customers since if loyalty increases, it will help brand reputation increasingly. However, they should avoid activities that reduce brand credibility since it affects

current and future customers' satisfaction and loyalty negatively and influences their benefits in long-term negatively.

Finally, it is recommended to pay particular attention to brand trust, as a relative asset based on survival market and organizational wealth based on its ability to create superior value for market since developing and maintaining brand credibility are one of the ways to achieve long-term relationships with customers and it plays an important role in creating long-run benefits for company because loyal customers do not need extensive promotional efforts. They would gladly ready to pay more for obtaining benefits and quality of their favorite brand.

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